

**MEMORANDUM OF UNDERSTANDING
REGARDING PILOT DENTAL PLAN PROGRAM
CITY OF MILPITAS AND THE UNDERSIGNED
LABOR ORGANIZATIONS**

WHEREAS, the parties have discussed ways in which to achieve cost savings and other reforms relative to the dental insurance program affecting various employees and officials of the City of Milpitas; and

WHEREAS, the City has met and conferred with the appropriate labor organizations representing affected City employees; and

WHEREAS, the parties have come to an agreement on a pilot dental program; and

WHEREAS, this plan will cover all employees who are represented by the labor unions listed on Attachment A, as well as other employees and officials listed on Attachment A; and

WHEREAS, this plan is projected to achieve a substantial cost savings to the City, while nevertheless providing excellent dental coverage to City employees and officials;

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. The City will seek to contract with Delta Dental to serve as the third party administrator for the City's self-funded, dental insurance program with an annual calendar year maximum. The program will cover the employees, retirees, dependents of employees and retirees, and officials listed in Attachment A (hereafter the "covered employees"). The contract will become effective January 1, 2007. If there are any delays or problems with the contract and its effective date, the City will notify affected labor organizations and discuss alternative arrangements.

2. For active employees and officials, the City will contribute up to the monthly premium toward dental benefits. For eligible retirees, the City will contribute up to 50% of the contribution for actives per retiree, per month, toward dental benefits. MSA Retirees please refer to MSA MOU section 32.07.

3. The annual calendar year maximum for the program shall be \$3500 per covered employee and dependent(s) per calendar year after satisfaction of the first, second, and third year calendar year maximum designations based on length of employment. Unused amounts may not be carried forward into a succeeding calendar

year. Claims payment is subject to the rules, exclusions and procedures provided for in the dental plan administered by Delta Dental on behalf of the employees covered by this MOU.

4. This is a pilot program that the parties intend to evaluate after approximately one year. This program supersedes and replaces all other dental programs. No later than October 2007, the parties agree to meet to review the cost, administration, and overall effectiveness of the program and to make a determination whether to adopt, continue, alter, or discontinue the program. When the parties meet they also agree to review the plan's overall costs in order to consider a potential 15% reduction in the premiums paid by retirees. If the parties do not agree to continue the program, they will meet and confer on an alternative program.

5. The labor organizations who are parties to this MOU agree to multi-union negotiations, such that one labor organization cannot drop out and obtain different benefits.

For the City of Milpitas:

Carmen Valdez
Carmen Valdez, Acting Director of Human Resources

10/18/06
Date

Leslie Stobbe
Leslie Stobbe, Representative of LIUNA
For: Mid-Management & Confidential Unit

10/12/06
Date

Dorsey Wiseman
Dorsey Wiseman, PROTECH President
For: Milpitas Professional and Technical Group

10/23/06
Date

Eddie Lored
Eddie Lored, MSA President
For: Milpitas Supervisors Association

13 Oct. 06
Date

Paul Mullett
Paul Mullett, MEA President
For: Milpitas Employees Association

10/18/06
Date

Timothy g m Cronin
Tim McCormick, Business Agent
For: LIUNA Local 270

10/20/06
Date

Attachment A

MEA Classifications
Assistant Water Operator
Equipment Maint. Worker I
Equipment Maint. Worker II
Equipment Maint. Worker III
Fleet Maint Assistant - 40 Hrs
Fleet Maint Assistant-37.5 Hrs
Fleet Maintenance Worker I
Fleet Maintenance Worker II
Fleet Maintenance Worker III
Maintenance Custodian I
Maintenance Custodian I - 40
Maintenance Custodian II
Maintenance Custodian II - 40
Maintenance Custodian III
Maintenance Worker I
Maintenance Worker I-40
Maintenance Worker II
Maintenance Worker II-40
Maintenance Worker III
Printing Svcs Technician I
Printing Svcs Technician II
Water Meter Reader I
Water Meter Reader II
Water Systems Operator

MSA Classifications
Fleet Maintenance Supervisor
Maintenance Supervisor-37.5
Maintenance Supervisor-40
Public Services Supervisor
Senior Maintenance Supervisor
Water Meter Reader Supervisor

PROTECH Classifications
Account Technician
Accountant
Assistant Civil Engineer
Assistant Planner
Assistant Transportation Plann
Associate Civil Engineer
Associate Planner
Building Permit Technician
Building/NP Inspector
CAD Technician
Cashier
Desktop Technician
Document Processing Technician
Electrical Inspector
Engineering Aide
Engineering Permit Technician
Fire Protection Engineer
Fiscal Assistant I
Fiscal Assistant II
Housing & Neighborhood Special
Junior Civil Engineer
Junior Planner
Junior Transportation Planner
Neighbhd Preservation Asst
Office Assistant I
Office Assistant II
Office Assistant II-PT
Office Specialist
Plan Check Engineer
Plan Checker
Program Coordinator
Public Service Assistant I
Public Services Assistant II
Public Works Inspector
Recreation Leader V
Recreation Svcs Assistant I
Recreation Svcs Assistant II
Recreation Svcs Assistant III
Recreation Svcs Assistant IV
Senior Building Inspector
Senior Fiscal Assistant
Senior Hous. & Neighbor. Spec.
Senior Plan Check Engineer
Senior Public Works Inspector

Mid-Management/Confidential Classifications
Accounting Services Manager
Administrative Analyst I
Administrative Analyst II
Buyer
Community Svcs Project Manager
Confidential Fiscal Asst II
Confidential Office Asst I
Confidential Office Asst II
Confidential Office Specialist
Crime Analyst
Customer Services Manager
Executive Secretary
Fiscal Services Manager
GIS Manager
Human Resources Technician
Lead Word Processing Operator
Network Manager
Operations Manager
Permit Center Manager
Principal Administrative Alyst
Principal Civil Engineer
Principal Planner
Principal Transportation Plann
Public Information Specialist
Purchasing Agent
Recreation Services Supervisor
Secretary
Senior Accountant
Senior Administrative Analyst
Senior Planner
Systems Administrator
Telecommunications Manager
Traffic Engineer

UNREPRESENTED Classifications		
Assistant City Engineer	City Council	Fire Marshal
Assistant City Manager	City Engineer	Human Resources Director
Assistant Director of Finance	City Manager	Information Services Director
Assistant Fire Chief	Deputy City Clerk	Planning & Neigh Svcs Director
Assistant Fire Marshal	Economic Development Manager	Planning Manager
Asst Information Svcs Director	Emergency Services Coordinator	Police Captain
Chief Building Official	Financial Services Director	Police Commander
Chief of Police	Fire Battalion Chief	Public Works Director
CIP Manager	Fire Battalion Chief - 40	Recreation Services Manager
City Clerk	Fire Chief	

CITY OF MILPITAS
Self-Funded Dental Plan Proposed Alternative
Effective January 1, 2007

Dental Benefits	Self-Funded Current Plan	Self-Funded Delta Dental CAP POOL	
		Proposed Alternative	
Calendar Year Maximum		<i>In Network</i>	<i>Out of Network</i>
Individual / Family			
First Year	\$1,500 / \$3,000	\$1,500 / \$3,000	\$1,500 / \$3,000
Second Year	\$2,000 / \$8,000	\$2,000 / \$8,000	\$2,000 / \$8,000
Third Year	\$3,000 / \$12,000	\$3,000 / \$12,000	\$3,000 / \$12,000
All existing ee's hired before 6/96	\$3,500 / \$14,000	\$3,500 / \$14,000	\$3,500 / \$14,000
Calendar Year Deductible			
Individual / Family	\$0 / \$0	\$0 / \$0	\$0 / \$0
Class A: Preventive Services			
Oral Exam	100%	100%	100%
X-Rays	100%	100%	100%
Teeth Cleaning	100%	100%	100%
Fluoride Treatment	100%	100%	100%
Space Maintainers	100%	100%	100%
Bitewings	100%	100%	100%
Sealants	100%	100%	100%
Class B: Basic Services			
Amalgam/Composite Fillings	100%	100%	100%
Periodontics (Gum disease)	100%	100%	100%
Endodontics (Root Canal)	100%	100%	100%
Extractions & Other Oral Surgery	100%	100%	100%
Class C: Major Services			
Crown Repair	100%	100%	100%
Restorative - Inlays and Crowns	100%	100%	100%
Prosthodontics	100%	100%	100%
Complex Oral Surgery	100%	100%	100%
Class D: Orthodontics			
Eligible for Benefit	100%	100%	100%
Lifetime Maximum			
First Year	\$2,000	\$2,000	\$2,000
Second Year	\$2,000	\$2,000	\$2,000
Third Year	\$2,000	\$2,000	\$2,000
All existing ee's hired before 6/96	\$3,500	\$3,500	\$3,500
Expenses			
Claim Funding			
July 2005 Membership			
Actives & Retirees + Spouse	244	244	
Retirees	49	49	
Projected Claims, 7/1/06 to 6/30/07 *	\$696,588	\$457,989	
PEPM	\$198.12	\$130.26	
Administrative Fees			
Eligibility/Administration Fee, PEPM	\$5.00	\$0.45	
Administrative Costs PEPM	0.00%	\$19.28	
Total Annual Costs	\$714,168	\$525,771	
Total PEPM cost	\$203.12	\$165.17	
Retiree Cost	\$101.56	\$82.59	
Total Annual Costs	\$714,168	\$532,178	
\$ Change from Current PEPM	N/A	-\$37.95	
% Change from Current	N/A	-25.48%	
Annual \$ Change from Current	N/A	(\$181,990.12)	

* Claims for Self-Funded Delta Dental are lower than current as a result of utilizing Delta Dental's network for deeper provider discounts.



October 31, 2006,

Christine Kerns
Alliant Insurance Services, Inc.
600 Montgomery St., 9th Floor
San Francisco, CA 94111

RE: City of Milpitas

Dear Chris:

On behalf of Delta Dental, I want to send my appreciation for the City's interest and consideration in implementing Delta Dental as its dental benefits plan administrator.

While I am unable to provide a completed contract for review at this time, I am happy to restate Delta's commitments and include documentation that support our intentions to serve the City and its employees.

It is Delta's understanding that the benefits will be administered with a no-loss provision. This means that Delta will not impose limitations or exclusions that are not currently in practice. We will complete an exhaustive review of current plan documents to ensure systems and contracts are established to best mirror what is currently in place. We will reimburse claims for non-contracted providers at the current level; our understanding at this time is that the basis is the actual submitted charge. Also, as a self-insured account, the City will have the ability to guide ongoing claim reimbursement.

Attached are the following documents for additional review and consideration:

- sample ASO (self-funded) contract for Delta's PPO program
- letter dated June 19, 2006 outlining Delta's commitments
- Benefit summary of the plan design to be installed (mirroring in force)

Please let me know if I can provide further information or assistance.

Sincerely,
DELTA DENTAL OF CALIFORNIA

Kevin Jackson
Sales Account Executive

Delta Dental of California
Headquarters Office:
100 First Street
San Francisco, CA 94105
Telephone: 415-972-8300

Southern California
Sales/Customer Service:
P.O. Box 3370
Cerritos, CA 90703
12898 Towne Center Drive
Cerritos, CA 90703
Telephone: 562-403-4040

Commercial Programs
Claims Processing/
Customer Service
P.O. Box 997330
Sacramento, CA 95899-7330

Offices in:
Cerritos, Fresno,
Rancho Cordova,
San Diego and
San Francisco



June 19, 2006

Christine Kerns
Driver Alliant Insurance Services, Inc.
600 Montgomery St., 9th Floor
San Francisco, CA 94111

RE: City of Milpitas

Dear Chris:

Thank you for your message regarding the City's interests in maintenance of benefits for their employees. I want to assure you, the City, the bargaining units and enrollees that there would be no loss of benefit with a move to Delta. Delta already contracts with more than 90% of California dentists, so we already do more to limit balance billing and control costs than any other dental plan. Illustrated below is a summary of our networks and how Delta can improve services to all:

-- PPO network: 37% of area dentists participate in Delta's PPO. These dentists have fees that are 23% below typical costs, thus savings is realized for all parties. These dentists cannot balance bill and cannot unbundle services.

-- Premier network: An additional 54% of area dentists participate as Delta Premier dentists. Although they are considered "out of network" in a PPO plan, they have negotiated fees and cannot balance bill and cannot unbundle services. These dentists negotiate fees individually and are limited to the 80th percentile; the negotiated fees are approximately 6% below typical fees.

-- Non-Delta dentists: 9% of area dentists do not contract with Delta. To meet the City's needs, Delta can replicate current practices and pay as submitted. This is not our normal practice but is done for clients with similar needs.

As you can see, the combined PPO and Premier networks are already structured to meet the City's needs, with the added value of savings to the City and its employees; these networks constitute 91% of the dentists in the area. Delta can accommodate the remaining 9% as stated above. The only stipulation is that the contract must be self-insured (ASO); this arrangement also provides the City flexibility in claims management.

I hope this answers this very relevant question and addresses any concerns about a move to Delta. It would be our privilege to serve the City and its employees. Please let me know if I can provide further information or assistance.

Sincerely,
DELTA DENTAL OF CALIFORNIA

Kevin Jackson
Sales Account Executive

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San Francisco



ABOUT DELTA DENTAL PPO

Delta Dental PPO is a preferred provider plan. Under the PPO plan, you can visit any licensed dentist of your choice, and your family members may select different dentists. You can change dentists at any time, go to a dental specialist of your choice and receive dental care anywhere in the world.

To make the *most* of your benefits under the Delta Dental PPO plan, we recommend you visit a Delta Dental PPO network dentist (84,000 dentist locations nationwide; more than 12,600 in California).

If you choose a dentist who is not in the PPO network, but you choose to have services from a Delta Dental Premier dentist, your benefits will go farther than with a non-Delta dentist.

IN-NETWORK		OUT-OF-NETWORK	
DELTA DENTAL PPO DENTISTS	DELTA DENTAL PREMIER DENTISTS	NON-DELTA DENTISTS	
Network agreements provide the lowest negotiated fees to stretch your maximum dollar and ensure quality of care.	Network agreements provide negotiated fees to stretch your maximum dollar and ensure quality of care.	No control over billed charges.	You may have to pay the entire amount in advance and wait for reimbursement.
Dentist bills Delta directly.	Dentist bills Delta directly.		
Claim forms will be completed and submitted for you at no charge.	Claim forms will be completed and submitted for you at no charge.		You may have to complete and submit your own claim forms or pay a service fee.

DELTA DENTAL PPO IS EASY TO USE

To use your PPO plan, just call the dental office of your choice and make an appointment. During your first appointment, give your dentist your group number, which is at the top of this page, and the primary enrollee's identification number. When you call a PPO dentist for an appointment, please confirm that the dentist participates in the Delta Dental PPO network.

To check if your current provider is a Delta Dental PPO dentist or for a list of PPO dentists in your area, search the dentist directory on our web site at www.deltadentalca.org. You can also check with your benefits administrator, who has a complete list of PPO dentists.

Visit our web site to view your eligibility and benefits or print your own ID card. (Note: You do not need an ID card to verify coverage, make an appointment or receive treatment.) You also can have eligibility information faxed to you by calling toll-free (800) 765-6003.

Delta Dental of California offers you what no other dental plan can — The Delta Difference®. Here's what makes us unique:

- ◆ *Determination of fees.* PPO and Premier dentists agree to our determination of fees.
- ◆ *We require professional treatment standards.* PPO and Premier dentists must meet professional standards for hygiene, radiation safety and other areas related to quality care.

These are just some of the reasons that *one in three Californians* count on Delta Dental for dental care benefits.

* Some services may not be covered; please refer to your Evidence of Coverage. Examples of services not covered are cosmetic dentistry, experimental procedures and services to correct congenital malformations.

PRINCIPAL BENEFITS AND COVERED SERVICES*

WHO'S COVERED	Primary enrollee, spouse, dependent children to age 19 and full-time students to age 25
DEDUCTIBLES	None
BENEFITS MAXIMUM PER PERSON	\$1500 for the first year; \$2000 for the second year; \$3000 for the third year; \$3500 for the fourth year and thereafter
BENEFITS MAXIMUM PER FAMILY	\$3000 for the first year; \$8000 for the second year; \$12,000 for the third year; \$14,000 for the fourth year and thereafter
DIAGNOSTIC AND PREVENTIVE BENEFITS* — oral examinations, cleanings, x-rays, examinations of tissue biopsy, fluoride treatment, space maintainers, specialist consultation	100%
BASIC BENEFITS* — oral surgery (extractions), fillings, root canals, periodontic (gum) treatment, tissue removal (biopsy), sealants	100%
CROWNS, OTHER CAST RESTORATIONS*	100%
PROSTHODONTIC BENEFITS* — bridges, full and partial dentures	100%
ORTHODONTIC BENEFITS* — for adults and dependent children to age 19	100% (subject to a \$2000 lifetime maximum per person)

*Please refer to your Evidence of Coverage for limitations on these benefits. Examples of limitations on services are the number of cleanings and oral exams covered in a calendar year, and time limitations on filling and crown replacements. Note: Delta dentists are paid on a different fee base than non-Delta dentists, which may result in higher out-of-pocket costs when you visit a non-Delta dentist.

SERVICES THAT ARE NOT COVERED

Although your plan covers many of the most commonly needed services, some services are not covered. If you are unsure whether a particular procedure is covered, or how much of it is paid for by your plan, check with Delta Dental before proceeding.

The following are not covered by the plan:

- ◆ Services for injuries or conditions that are covered under Workers' Compensation or Employer's Liability Laws
- ◆ Cosmetic surgery or dentistry or services to correct congenital malformation
- ◆ Experimental procedures
- ◆ Therapeutic drugs, premedication or pain relievers
- ◆ Hospital costs or extra charges for hospital treatment
- ◆ Anesthesia (except for general anesthesia for oral surgery)
- ◆ Extra-oral grafts, implants and implant removal
- ◆ Treatment related to the temporomandibular joint (TMJ)

The preceding information is not intended for use as a summary plan description, nor is it designed to serve as an Evidence of Coverage for the plan.

This Delta Dental PPO plan is administered by Delta Dental of California. If you have specific questions regarding benefit structure, limitations or exclusions, consult the Evidence of Coverage or contact our Customer Service department.



P.O. Box 997330
Sacramento, California 95899-7330

Customer service:
(800) 765-6003

Automated or faxed eligibility/benefits information and dentist listings:
(800) 765-6003

Online eligibility/benefits information and dentist listings:
www.deltadentalca.org